CONFIDENTIAL
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DDI-804-75

22 March 1975

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: A Shift to the Left in Portugal and Cabinet Shuffle

The sharp turn to the left in Portugal since the abortive coup on March 11 was institutionalized by the immediate formation of the Revolutionary Council. In its first moves the council - composed of 24 officers of the Armed Forces Movement - in rapid-fire succession authorized a cabinet shuffle, moved to nationalize the nation's banks and insurance companies, to proscribe three political parties and to postpone the constituent assembly election from April 12 to April 25.

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With the formation of the Revolutionary Council the 7 man junta, which had served as Portugal's highest policy-making body, was abolished, as was the Armed Forces Movement's coordinating committee. Fourteen officers from these two bodies were incorporated into the new council, which also includes Prime Minister Goncalves and the Deputy Commander of Portugal's internal security force General Otelo Carvalho. Both these men are described as susceptible to communist influence. Eight lower ranking officers were also appointed to the council. The Revolutionary Council has both executive and legislative powers and is chaired by President Costa Gomes who must sign all legislation.

Prime Minister Goncalves was authorized by the Revolutionary Council to reorganize his cabinet to bring it into line with the new political reality. Goncalves has made it clear that members of the Portuguese Democratic Movement, a communist front group, will be included in the new cabinet. Rumors in Lisbon also suggest that the center-left Popular Democratic Party - presently serving in the governing coalition with the Socialist and Communist parties as well as the military - may be excluded from the new government. There have also been persistent rumors that Foreign Minister Mario Soares, leader of the Socialist Party, would be moved to minister without portfolio.

MORI/CDF Pages

State Dept. review completed

NSC review completed

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The cabinet shuffle is now expected within the next few days, but the delay of nearly two weeks suggests that Goncalves is having difficulty finding suitable candidates or has run into opposition to his proposed changes.

The two moderate parties in the present government, meanwhile, are beginning to show some determination to hold their ground. Mario Soares publicly questioned Goncalves' intention to bring the Portuguese Democratic Movement into the government and said that cabinet changes just prior to the election were inopportune. Soares also said he hoped to continue to serve as foreign minister.

The Popular Democratic Party, on the other hand, has sought to outflank the leftists by closely identifying itself with Movement policies. It was the first party to denounce the coup attempt last week, and it quickly acclaimed the bank nationalization scheme.

In a widely expected political move, the council banned two far left parties and the moderate rightist Christian Democratic Party until after the election. Groups on the extreme left have been responsible for the political violence in recent weeks, while a leading Christian Democrat is alleged to have been involved in the coup attempt.

It is significant that the council did not ban the Social Democratic Center - the Christian Democrats' election coalition partner. The Social Democratic Center has broad appeal among conservatives and serves as a buffer on the political right for the Popular Democratic Party, which feels itself threatened by leftists intent on tagging it with the "fascist" label. These two parties together could still do well in any legitimate election in April, although both have suffered serious organizational disruption as a result of recent leftist attacks.

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Routing Slip 75-5423

TO:

		ACTION	INFO.			ACTION	INFO.
1	DCI			11	LC		
2	DDCI			12	IG		
3	S/MC			13	Compt		
4	DDS&T			14	Asst/DCI		
5	DDI	✓		15	AO/DCI		
6	DDM&S			16	Ex/Sec		
7	DDO			17			
8	D/DCI/IC			18			
9	D/DCI/NIO	✓		19			
10	GC			20			

SUSPENSE _____
Date

Remarks:

This could have used some graphic or at least sub-paragraphing to clarify its points -

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